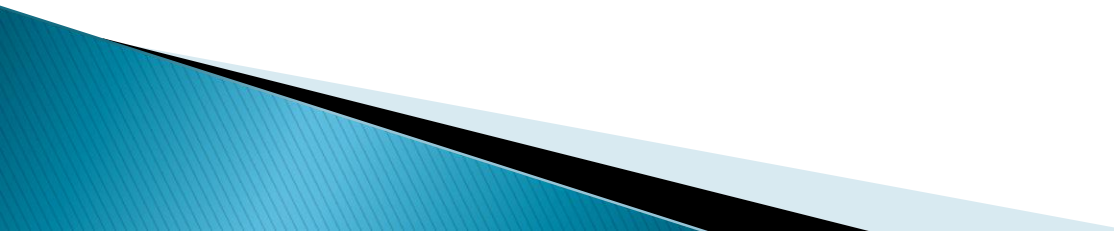


# Office of Comprehensive Services: Audit Processes for the Comprehensive Services Act (CSA) Program

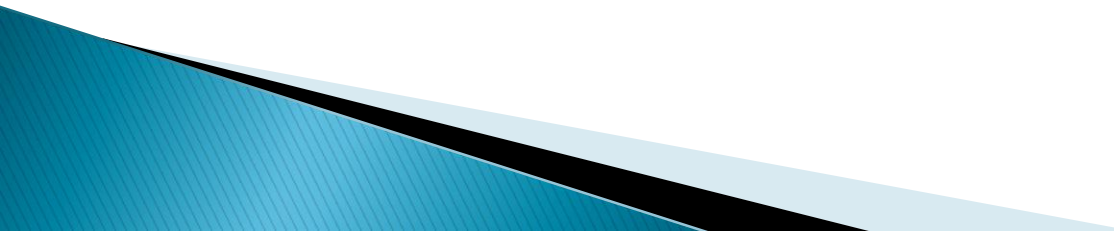
Presented to the House Appropriations Committee  
By William A. Hazel, Jr., M.D.  
Secretary of Health and Human Resources  
September 17, 2012



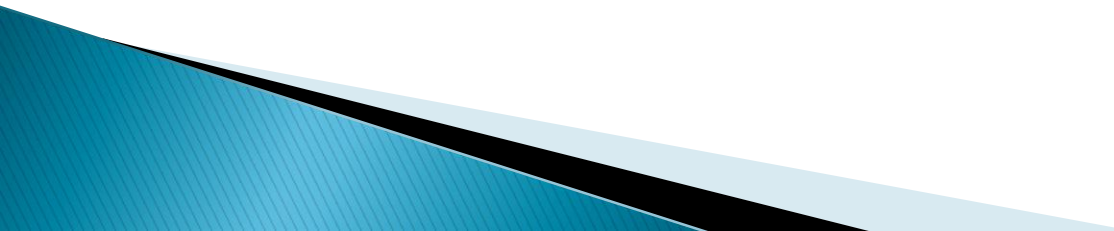
# Overview

- ▶ Background on the Comprehensive Services Act.
  - ▶ History of Office of Comprehensive Services compliance policies and prior audit process.
  - ▶ Current audit plan and implementation process.
  - ▶ Proposed technology changes to achieve effective program controls, management, and accountability.
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# Background on CSA

- ▶ Purpose of the Comprehensive Services Act was to create a singular pool of funds through which all child-serving agencies would purchase services for high risk youth to address their complex and unique needs.
  - ▶ By pooling the funds of multiple agencies, the Act would ensure that child serving agencies worked collaboratively to examine children and families from a holistic perspective and would purchase services to address their needs without concern for which agency was responsible for payment.
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# Background on CSA

- ▶ The CSA places authority for the development of service plans and utilization of funds with local communities.
  - ▶ Both local and state monies are used to purchase services under the CSA.
  - ▶ To reduce disparities in access to services across the state, each local community's financial share is based upon a formula that considers the community's ability to pay. The average state contribution for services under the Comprehensive Services Act is 65%.
  - ▶ The State Executive Council (SEC) is the supervisory body responsible for the establishment of programmatic and fiscal policies that support the purposes of the CSA.
  - ▶ The Office of Comprehensive Services (OCS) is the administrative entity responsible for implementation of the decisions of the SEC.
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# History of OCS Compliance Activities

Prior to 2005	<b>Compliance Unit</b> <ul style="list-style-type: none"><li>• Reviews responsive to issues/concerns identified via reports submitted to OCS</li></ul>
2005	<b>Focus on Technical Assistance</b> <ul style="list-style-type: none"><li>• Compliance Unit disbanded</li></ul>
2008	<b>North Highland Audit of OCS</b> <ul style="list-style-type: none"><li>• Report focused on internal controls</li></ul>

# North Highland Audit of OCS

- ▶ Completed December 5, 2008 and identified the following priority issues:
  - Knowledge of the process and system reside in one individual;
  - Significant system control weaknesses exist;
  - Funds are paid to localities without any supporting documentation being provided by localities or review by OCS;
  - An overall lack of infrastructure and supportive funding.

# History of OCS Compliance Activities

2010	<p>Review responsibilities assigned to Technical Assistants</p> <ul style="list-style-type: none"><li>• Identify data anomalies (no criteria or protocol)</li><li>• Make inquiries to localities for explanation of anomaly</li><li>• Report potential compliance concerns identified during course of technical assistance activities (self reporting)</li><li>• Third party reporting of potential compliance concerns</li></ul>
2011	<p>Denial of funds policy adopted by SEC HB 1679 and SB 1171</p> <p>Completion of Auditor of Public Accounts review of Pittsylvania County CPMT</p>

# New Approach to Local Audits

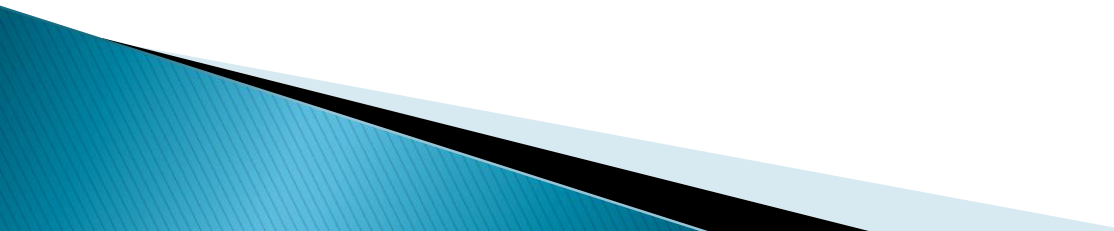
March 2012	Reorganization of the Office of Comprehensive Services • Two internal Program Auditors hired
June 2012	“Audit Plan” and “Self Assessment Workbook” presented to State Executive Council
July 2012	Audit Plan implemented Casey/SAS Proof of Concept \$500,000 allocated by the General Assembly to conduct a performance audit review of CSA to identify strengths and gaps in state and local compliance procedures regarding eligibility, program, and fiscal requirements.




# OCS Audit Plan

- ▶ Effective July 1, 2012 the Office of Comprehensive Services initiated a comprehensive local audit process.
- ▶ Basis of audit selection:
  - Risk assessment
  - Management input
  - Three year cycle
- ▶ Audit structure:
  - Site based visits with 20 site reviews each Fiscal Year
  - Self Assessment Workbook
  - Comprehensive review of local governance, internal controls, risk management, and statutory compliance with respect to implementation of the Comprehensive Services Act.
  - Compliant with Standards for Professional Practice of Internal Auditing, Institute of Internal Auditors

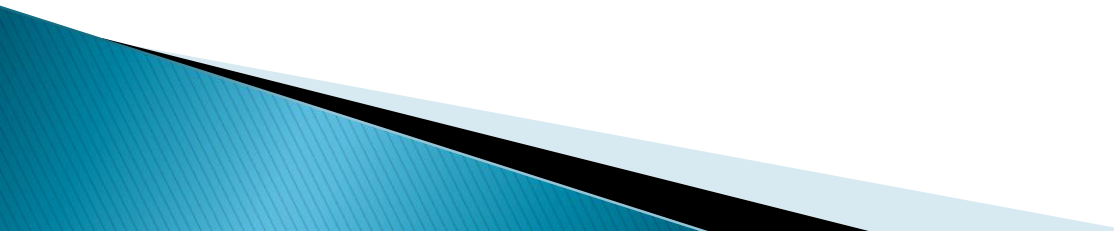
# OCS Audit Plan

- ▶ Independent, objective evaluation by OCS program auditors of locally administered CSA programs.
  - ▶ OCS auditors will evaluate the adequacy and effectiveness of the systems of internal control and quality of performance in meeting the requirements of the CSA.
  - ▶ Review of financial and program operations.
  - ▶ Audits provide analyses, appraisals, recommendations, counsel, and information concerning activities of the CSA to assist in its effective administration.
  - ▶ The OCS Audit is one component of a model of continuous quality improvement inclusive of corrective action plans, program improvement plans, technical assistance, and follow-up monitoring.
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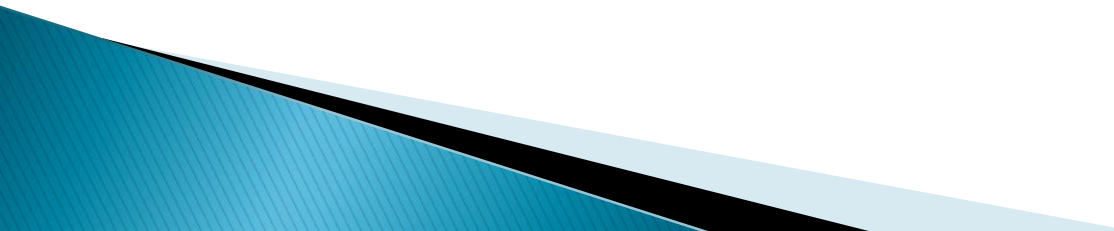
# OCS Audit Plan

- ▶ The new OCS audit process will provide greater control of the CSA program. It sets up a continuous review process to audit localities, as opposed to one-time reviews.
  - ▶ The local CSA delivery system will be improved as localities receive assistance with:
    - Reviewing adequacy of CSA risk management, governance and control processes;
    - Determining whether the established goals and objectives of CSA are accomplished;
    - Reviewing the reliability and integrity of CSA program and financial information;
    - Evaluating the controls governing the safeguarding of CSA assets and/or data;
    - Appraising whether CSA resources are used effectively and efficiently; and
    - Recommending operational improvement.
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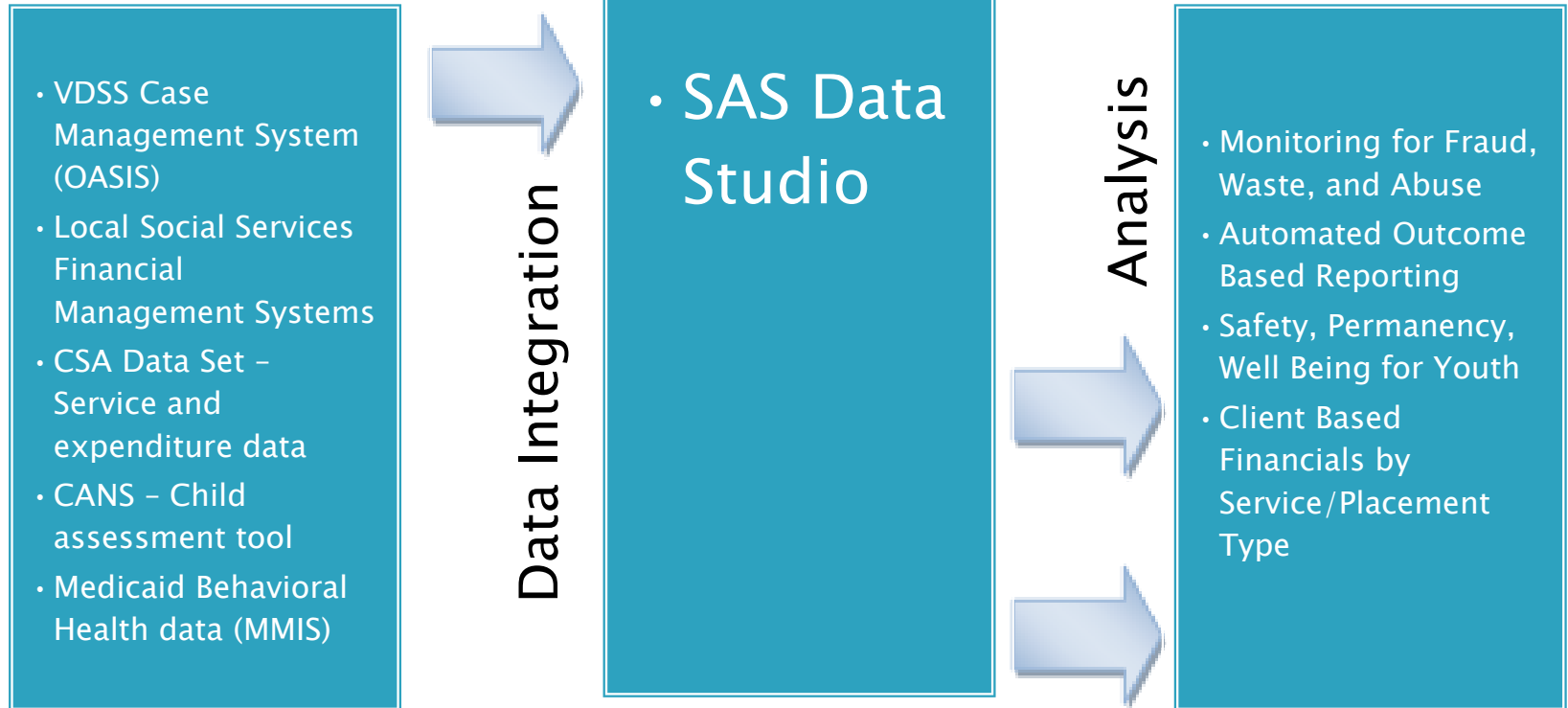
# OCS Audit Plan

- ▶ The Office of Comprehensive Services has reorganized the staff to better serve localities and provide for reliable audit capabilities to local programs.
  - ▶ Localities will have the tools to self-assess their risk and have meaningful technical assistance from OCS.
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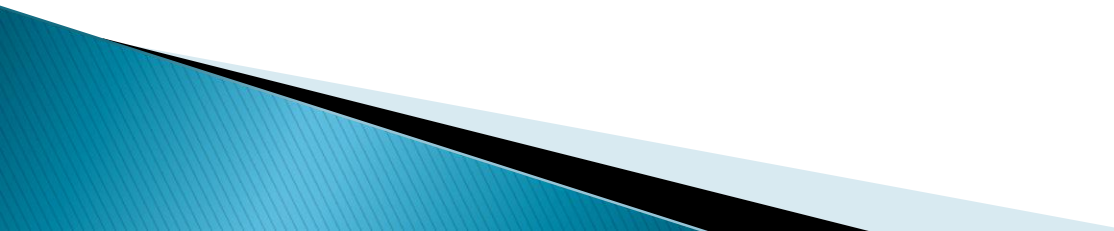
# Challenges in Data Integration and Analysis

- ▶ Over the course of the past twenty years, many efforts and initiatives have been implemented to improve implementation of the CSA, to increase accountability for the expenditure of funds and to identify outcomes for youth realized as a result of services provided and funds expended. To date, the capacity to produce meaningful answers to critical questions is minimal.
  - ▶ At present, data collection and analysis capabilities are inadequate because financial systems, case management systems and payment systems do not communicate.
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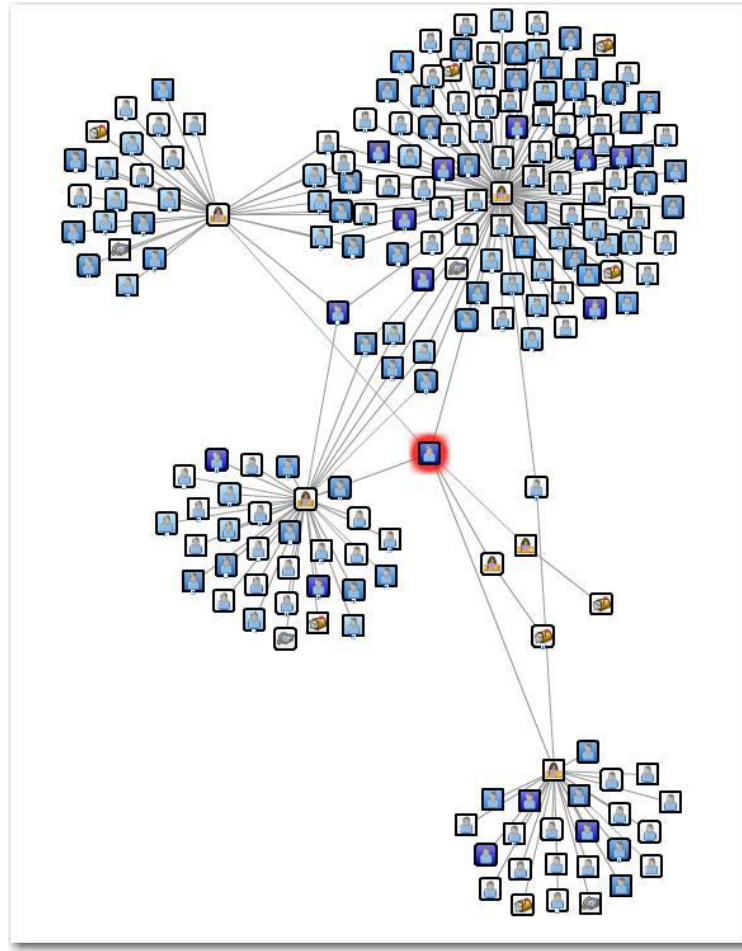
# Solution for Financial Reconciliation



# Opportunities

- ▶ The capacity to collect and analyze client-specific expenditure data for the significant fund sources and to integrate that data with demographic and assessment data will enable the Commonwealth to answer critical questions such as:
    - Are services available to the children who need them?
    - Are services being provided in accordance with each child's needs?
    - Are funds for services being spent wisely?
    - To what extent is each program meeting the measurable goals for that program based on the availability of services, each child's needs, and the funds for those services?
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# Even With CSA to Coordinate payments, Services for Children Remain Fragmented





# Opportunities

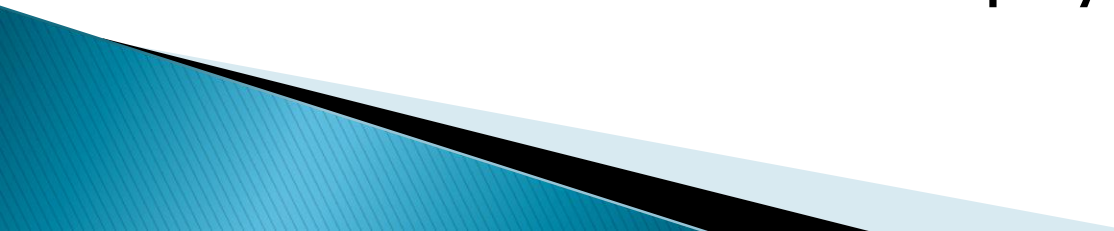
Local service provider data, e.g., specific costs for specific services, are not currently reported to the Commonwealth. We have shown through a brief, privately funded, proof of value project that these data can be efficiently collected and can be matched to other data sources to enable powerful analysis. We have documented things such as:

1. There is significant variability in the cost of services available to a child receiving CSA services at the local level, even adjusting for child need.
2. A risk-adjusted payment model can be produced to allow for comparable per diem per client estimates which will highlight outliers.
3. A linear model of payment per client per day allows us to account for the effects of the multiple variables simultaneously, e.g., gender, ethnicity, locality, assessment scores (initial and final), age, number of placements, etc. to ensure that differences are statistically significant and indicative of “risk,” i.e., potentially indicative of fraud, waste or abuse.

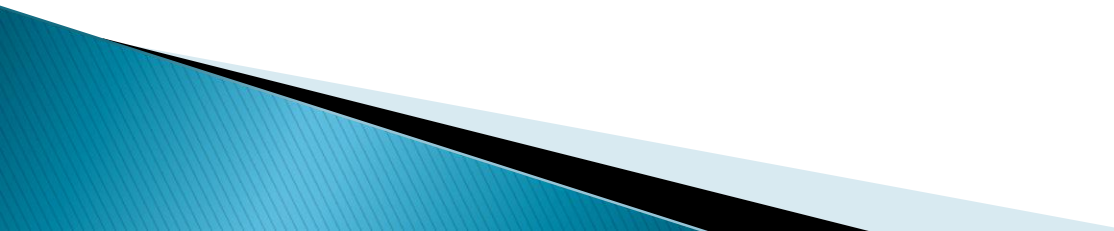
# Opportunities

- ▶ The capacity to implement comprehensive analysis of client specific expenditure, demographic, and assessment data will allow us to capture differences in youth outcomes and payments by locality. Having this information available to auditors will allow them to identify with significantly greater clarity and detail, those localities at the highest levels of risk to the Commonwealth. For example, we will be able to identify and take appropriate action to examine:
  - Those localities who, despite unusually high spending do not produce positive outcomes for youth,
  - Those localities whose per child expenditures or per service expenditures exceed regional and/or state norms,
  - Those localities who evidence high use of “high risk” providers.

# Powerful Results

- ▶ An OCS audit team, armed with the capability of high-powered data analytics, will provide the Commonwealth a maximum level of accountability for implementation of the Comprehensive Services Act and assurance that state dollars are effectively and efficiently used.
  - ▶ The Commonwealth will be able to help localities make better programmatic decisions rather than pay – and – chase.
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# Predictive Analysis

- ▶ An even more powerful outcome of comprehensive analysis of data will be the opportunity to answer questions such as:
    - Which service is most likely to produce positive outcomes for a youth with a specific area of need?
    - What is the optimal length of stay for a particular service?
    - Which youth are least likely to achieve outcomes, i.e., and require more intensive intervention to achieve outcomes?
    - Which youth are likely to achieve outcomes without significant intervention?
  - ▶ OCS, armed with the capability of high-powered data analytics, will enable both the Commonwealth and localities to identify the services, and service providers, that will produce the best outcomes for its high-risk youth.
  - ▶ Local communities, armed with the capacity to access these same data analytics, will be empowered to improve long-range planning and to assess and evaluate their progress toward achieving local goals, maximizing resources, and effectively meeting the needs of youth in their communities.
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Questions?